



# Annual Financial Statements

for

## **MOOKGOPHONG LOCAL MUNICIPALITY**

for the year ended 30 June: **2011**

Province:

Limpopo

AFS rounding:

***R (i.e. only cents)***

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**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information**

**Members of the Council**

N S Monyamane	<b>Mayor</b>
R M Kekana	<b>Chief Whip</b>
M S Maphologela	Member
K S Lamola	Member
L W Kola	Member
M S Langa	Member
E Boshof	Member
H P Louw	Member
S P Mafuna	Member
J H Kleynhans	Member

**Municipal Manager**

FMS Modise (Acting)

**Chief Financial Officer**

NR Malan (Acting)

**Grading of Local Authority**

2

**Auditors**

Auditor-General

**Bankers**

ABSA

**Registered Office:**

Municipal Offices

**Physical address:**

Nelson Mandela Drive  
Naboomspruit  
0560

**Postal address:**

Private Bag X340  
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0560

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**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 43, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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FMS Modise  
Acting Municipal Manager

*DATE : 31 August 2011*

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

<b>Index</b>	<b>Page</b>
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 -19
Notes to the Annual Financial Statements	20 - 38
Appendix A: Analysis of Property, Plant and Equipment	39 - 40
Appendix B: Segmental Analysis of Property, Plant and Equipment	41
Appendix C: Segmental Statement of Financial Performance	42
Appendix D:Statement of Comparative and Actual Information	43

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2011

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	6 110	4 005 610
Trade and other receivables from exchange transactions	2	23 226 003	13 355 659
Other receivables from non-exchange transactions	3	720 233	1 295 661
Inventories	4	1 608 298	2 056 180
Investments	6	2 790 831	16 150 166
VAT receivable	14	-	3 410 870
<b>Non-current assets</b>			
Property, plant and equipment	7	199 105 621	209 704 774
Intangible assets	8	378 268	285 991
Investment property carried at fair value	9	10 251 162	10 251 162
<b>Total assets</b>		<b>238 086 526</b>	<b>260 516 073</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	1	6 910 188	941 240
Trade and other payables from exchange transactions	12	4 594 502	12 914 671
Consumer deposits	13	2 735 132	2 607 269
VAT payable	14	2 484 973	-
Current provisions	15	4 460 253	3 868 866
Current portion of unspent conditional grants and receipts	16	11 705 725	9 600 487
Current portion of finance lease liability	17	193 285	193 136
<b>Non-current liabilities</b>			
Non-current finance lease liability	17	69 052	262 337
Non-current provisions	18	6 448 359	5 326 647
Defined benefit plan obligations	47	8 238 080	6 924 971
<b>Total liabilities</b>		<b>47 839 549</b>	<b>42 639 624</b>
<b>Net assets</b>		<b>190 246 977</b>	<b>217 876 449</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		190 246 977	217 876 449
<b>Total net assets</b>		<b>190 246 977</b>	<b>217 876 449</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2011

	Note	2011 R	2010 R
<b>Revenue</b>			
Property rates	19	18 847 217	16 165 467
Property rates - penalties imposed and collection charges	19	-	-
Service charges	20	42 099 002	38 858 545
Rental of facilities and equipment	21	209 610	89 600
Interest earned - external investments	22	1 015 648	2 513 717
Interest earned - outstanding receivables	23	1 748 273	993 774
Fines	24	202 271	59 280
Licenses and Permits	25	29 524	28 108
Income from agency services	26	2 913 041	3 203 039
Government grants and subsidies : Operating	27	20 777 488	16 421 726
Government grants and subsidies : Capital	27	5 592 209	13 819 774
Public contributions and donations	28	-	50 603
Other revenue	29	434 707	842 329
<b>Total revenue</b>		<b>93 868 990</b>	<b>93 045 962</b>
<b>Expenses</b>			
Employee related costs	30	36 095 878	30 563 643
Remuneration of councillors	31	2 088 355	1 416 865
Debt impairment	2	-	3 067 492
Depreciation and asset impairment	7	17 501 293	17 845 733
Finance costs	32	38 030	49 442
Bulk purchases	33	22 269 441	19 091 289
Materials	34	8 496 652	4 252 509
Contracted services	35	6 855 622	5 437 627
Other Expenditure	36	22 348 962	25 673 390
Grants and subsidies paid	37	-	1 431 798
<b>Total expenses</b>		<b>115 694 233</b>	<b>108 829 788</b>
Gain / (loss) on sale of assets	38	134 806	(71 113)
Inventories: (Write-down) / reversal of write-down to net realisable value	4	-	-
<b>Surplus / (deficit) for the period</b>		<b>(21 690 437)</b>	<b>(15 854 939)</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2011

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Balance at 30 June 2009</b>		<b>121 342 420</b>	<b>121 342 420</b>
Changes in accounting policy	41	124 317 810	124 317 810
Correction of prior period error	42	-	-
<b>Restated balance</b>		<b>245 660 230</b>	<b>245 660 230</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the year		(15 854 939)	(15 854 939)
<b>Balance at 30 June 2010</b>		<b>229 805 291</b>	<b>229 805 291</b>
Correction of prior year error	42	(11 928 842)	(11 928 842)
<b>Restated Balance as at 30 June 2010</b>		<b>217 876 449</b>	<b>217 876 449</b>
Net Surplus / (Deficit) for the year			
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-
Transfers to / from accumulated surplus/(deficit)		(5 939 037)	(5 939 037)
Surplus / (deficit) for the period		(21 690 437)	(21 690 437)
<b>Balance at 30 June 2011</b>		<b>190 246 977</b>	<b>190 246 975</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
as at 30 June 2011

	Note	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others		122 912 203	139 697 553
Cash paid to suppliers and employees		(133 195 526)	(129 743 013)
<b>Net cash flows from operating activities</b>	39	<b>(10 283 323)</b>	<b>9 954 540</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(12 666 324)	(30 168 029)
Proceeds from sale of fixed assets		(185 000)	-
Proceeds from sale of investments		13 359 335	22 899 400
<b>Net cash flows from investing activities</b>		<b>508 011</b>	<b>(7 268 629)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from finance lease liability		-	259 189
Repayment of finance lease liability		(193 136)	-
<b>Net cash flows from financing activities</b>		<b>(193 136)</b>	<b>259 189</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(9 968 448)</b>	<b>2 945 100</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>3 064 370</b>	<b>119 270</b>
<b>Net cash and cash equivalents at end of period</b>	40	<b>(6 904 078)</b>	<b>3 064 370</b>



**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, but some components are measured at fair value as indicated in subsequent accounting policy notes.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and prescribed by the Minister of Finance in terms of:

- Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- Government Notice 516 of 2008, issued in Government Gazette no. 31021 of 9 May 2008.
- Government Notice 80 of 2011, issued in Government Gazette no. 33991 of 2 Feb 2011.

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Directives and Guidelines form part of the GRAP Reporting Framework. The ASB Directive and Guidelines applicable to Mookgophong Municipality comprise of the following :

Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of the Standards of GRAP

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 21 to 27 of Directive 5 applicable to Mookgophong Municipality comprise the following:

IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As from 1 July 2008, all GAMAP Standards have been retracted. Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with section 29 of ASB Directive 5 or paragraph 12 of GRAP 3. Exemptions that were given from complying with certain standards in terms of clause 2(2) of Government Notice 522 issued in Government Gazette no. 30013 of 29 June 2007, have been lifted since the 2008/09 financial year.

GAMAP 9 Revenue Section 29 to 54 pertaining to revenue from rates, fines, government grants, other grants, donations received and levies are not yet withdrawn as GRAP 9 only applies to exchange revenue and GRAP 23 Revenue from non-exchange transactions is not yet effective.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These accounting policies applied are consistent with those used in the previous financial year, unless explicitly stated.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

**The following GRAP standards have been issued but will only be effective as from 1 April 2012 and have not been early adopted by the municipality:**

GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

**Standards of GRAP that may be used to interpret the requirements of other Standards of GRAP:**

GRAP 24	Presentation of Budget Information in Financial Statements
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**The impact of GRAP standards issued but not yet effective on the financial statements of Mookgophong Municipality in the future are as follows:**

GRAP 18	This does not deal with the accounting treatment of any particular transaction of events but merely with the re-arrangement of information already presented and disclosed. The impact on the municipality's financial statements would be minimal.
GRAP 20	Councillors, committee members and close members of family will be disclosed as related parties. Normal suppliers and/or client relationship at arm's length and within normal operating parameters will not have to be separately disclosed.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

GRAP 21	Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. The impact of this Standard is not at this stage reasonably estimable.
GRAP 23	<p>The method or recognition and measurement of revenue from non-exchange transactions, specifically taxes and transfers. The municipality does not have taxes and the accounting policy for the disclosure and measurement of transfers implemented currently by the municipality already adheres to these requirements:</p> <ul style="list-style-type: none"><li>- Revenue is recognized to the extent that conditions have been met;</li><li>- A liability is recognized to the extent that the present conditions have not yet been met.</li><li>- An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.</li></ul>
GRAP 24	A comparison of budget and actual amounts as additional budget columns in the primary financial statements and a disclosure note on the explanations of changes between the approved and final budget is required. The impact on the municipality's financial statements would be minimal.
GRAP 25	The Standard on Employee Benefits will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS 19 and there is no material changes from IAS19 to GRAP25 that is affecting this municipality.
GRAP 26	Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. This Standard will be applicable to the Abattoir assets and the impact of this Standard would be minimal at this stage as the abattoir is currently undergoing an upgrade.
GRAP 103	This Standard will have no impact on the municipality as the municipality currently has no heritage assets.
GRAP 104	The Standard on financial instruments will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS32 and IAS39 and the changes from IAS32 and IAS39 to GRAP104 is not applicable to this municipality.

The municipality shall apply these Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1) (b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

## **2 RESERVES**

GRAP 9 does not require that a municipality should keep any reserves and \ or be disclosed on the Statement of Financial Position. All surpluss funds are therefore disclosed as part of Accumulated Surplus account.

## **3 PROPERTY, PLANT AND EQUIPMENT**

### **3.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### **3.3 SUBSEQUENT MEASUREMENT - COST MODEL (OTHER ASSETS)**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **3.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Land (including investment assets), heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	10 to 25	Buildings	30
Electricity Networks	20 to 30	Office equipment	3 to 7
Water Networks	15 to 20	Office Furniture	7 to 10
Sewerage Networks	15 to 20	Bins and Containers	5 to 10
		Motor Vehicles	5 to 20
		Plant and Equipment	2 to 15
<b>Community</b>		<b>Security Measures</b>	
Sport Facilities	30		3 to 5
Cemeteries	30		
Libraries and Halls	30		
Parks and gardens	30		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The municipality has taken advantage of the transitional provisions provided in GRAP 17 Property, Plant and Equipment whereby in terms of Section 77 of Directive 4 municipalities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. GRAP 17 was initially adopted on 1 July 2008. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The progress towards achieving full compliance with the measurement requirements of GRAP 17 Property, Plant and Equipment and IAS36, Impairment of assets, are that an annual asset count was conducted to confirm the completeness and validity of the asset register. An asset register were implemented that can accommodate the new requirements. The depreciation and net book value of assets will be reviewed to correct comparative figures in the financial statements ending 30 June 2011.

### **3.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INTANGIBLE ASSETS**

### **4.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **4.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software : 5 years

The amortisation period and the amortisation method for an intangible asset with a limited useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with limited useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5 INVESTMENT PROPERTY**

**5.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

**5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**6 NON-CURRENT ASSETS HELD FOR SALE**

**6.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**6.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

**7 INVENTORIES**

**7.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**7.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In general, the basis of allocating cost to inventory items is the weighted average method.

## **8 FINANCIAL INSTRUMENTS**

### **8.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **8.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39 GRAP 104, AS 36 and IFRS 7.

#### **8.2.1 INVESTMENTS**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The carrying amount of trade and other payables is a reasonable approximation of fair value.

#### **8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as a receivable in the Statement of Financial Position and where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

**10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as a receivable in the Statement of Financial Position and where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

**11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the Statement of Financial Position and where recovered, it is subsequently accounted as a decrease in receivables in the Statement of Financial Position.

**12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality do recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**13 LEASES**

**13.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.



**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Contingent rentals are not straight-lined or included in the projected future minimum operating lease expenses / receipts in the note to the financial statements.

### **13.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **14 REVENUE**

### **14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Adjustments to consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis, using the effective interest method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **14.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from grants is recognized to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability and are always cash backed.

#### **15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### **16 EMPLOYEE BENEFITS**

##### **16.1 SHORT-TERM EMPLOYEE BENEFITS**

The cost of short-term employee benefits, which include salaries and wages, allowances and 13th cheque compensation, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

##### **16.2 TERMINATION BENEFITS**

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**16.3 RETIREMENT BENEFITS**

The municipality provides the following retirement benefits for its employees and councilors :

The municipality has accounted for a **defined contribution pension plan** in terms of IAS19 Employee Benefits, under which the municipality pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality provides also for **post-retirement medical benefits** to qualifying retirees, their spouses and other dependent members as on date of retirement, in terms of the Bargaining Council Medical Aid Collective Agreement, dated and signed on 1 December 2005. This provision is also recognized in terms of IAS 19 and FRAP 25 on defined benefit plans. The expected cost, of these benefits is accrued over the period of employment.

Municipalities were previously exempted from IAS19 defined benefit accounting as far as it relates to defined benefit plans in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007. The exemption no longer applies since the 08/09 financial year and the change in accounting policy was implemented retrospectively in 09/10.

**16.4 LONG SERVICE LEAVE AWARDS**

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognized as a non-current liability for employee benefits and measured at the present value of expected future payment to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted, using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

**17 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**18 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		6 110	5 610
Cash at bank		(6 910 188)	(941 240)
Call deposits		-	4 000 000
		<u>(6 904 078)</u>	<u>3 064 370</u>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
Bank : ABSA			
Account number : 1080570097			
Cash book balance at beginning of year		<u>(941 240)</u>	<u>(1 570 421)</u>
Cash book balance at end of year		<u>(6 910 188)</u>	<u>(941 240)</u>
Bank statement balance at beginning of year		<u>3 188 909</u>	<u>5 626 364</u>
Bank statement balance at end of year		<u>2 498 101</u>	<u>3 188 909</u>
<b><u>Current Account (Other Account)</u></b>			
Bank : ABSA			
Account number : 40-7632-1175			
Cash book balance at beginning of year		<u>4 000 000</u>	<u>-</u>
Cash book balance at end of year		<u>-</u>	<u>4 000 000</u>
Bank statement balance at beginning of year		<u>4 000 000</u>	<u>-</u>
Bank statement balance at end of year		<u>-</u>	<u>4 000 000</u>
<b><u>Cash on hand</u></b>		<u>6 110</u>	<u>5 610</u>
Total cash and cash equivalents		<u>6 110</u>	<u>4 005 610</u>
Total bank overdraft		<u>6 910 188</u>	<u>941 240</u>
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b><u>Trade receivables</u></b>			
<b>as at 30 June 2011</b>			
Service debtors			
Rates	11 159 051	-	11 159 051
Electricity	13 821 295	(5 548 976)	8 272 319
Water	4 429 140	(2 433 410)	1 995 730
Sewerage	2 208 745	(1 530 557)	678 188
Refuse	1 532 205	(963 014)	569 191
Other	2 085 713	(1 534 189)	551 524
<b>Total</b>	<b><u>35 236 149</u></b>	<b><u>(12 010 146)</u></b>	<b><u>23 226 003</u></b>
<b>as at 30 June 2010</b>			
Service debtors			
Rates	7 267 837	(2 337 759)	4 930 078
Electricity	13 497 803	(7 766 881)	5 730 922
Water	3 074 494	(1 878 047)	1 196 447
Sewerage	1 851 101	(1 135 599)	715 502
Refuse	1 117 728	(545 081)	572 647
Other	1 787 652	(1 577 589)	210 063
<b>Total</b>	<b><u>28 596 615</u></b>	<b><u>(15 240 956)</u></b>	<b><u>13 355 659</u></b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b><u>Rates: Ageing</u></b>			
Current (0 – 30 days)		647 844	440 336
31 - 60 Days		1 221 680	480 171
61 - 90 Days		444 255	421 330
91 - 120 Days		460 080	457 305
121 - 365 Days		8 385 192	5 468 694
<b>Total</b>		<b>11 159 051</b>	<b>7 267 836</b>

<b><u>Electricity, Water and Sewerage: Ageing</u></b>			
Current (0 – 30 days)		4 817 022	3 327 999
31 - 60 Days		1 456 230	1 811 682
61 - 90 Days		1 059 725	1 425 671
91 - 120 Days		836 027	1 059 275
121 - 365 Days		12 290 175	10 798 772
<b>Total</b>		<b>20 459 179</b>	<b>18 423 399</b>

<b><u>Refuse and Other: Ageing</u></b>			
Current (0 – 30 days)		267 370	423 006
31 - 60 Days		143 780	107 800
61 - 90 Days		117 030	72 679
91 - 120 Days		168 387	64 044
121 - 365 Days		2 921 352	2 237 851
<b>Total</b>		<b>3 617 919</b>	<b>2 905 380</b>

**Summary of Debtors by Customer Classification**

	Household Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2011</b>			
Current (0 – 30 days)	4 082 688	1 486 429	163 120
31 - 60 Days	1 493 864	1 162 936	164 891
61 - 90 Days	1 208 852	286 448	125 710
91 - 120 Days	1 091 498	252 803	120 191
121 - 365 Days	20 663 389	2 741 002	192 327
Sub-total	<b>28 540 291</b>	<b>5 929 618</b>	<b>766 239</b>
Less: Provision for doubtful debts	(9 944 124)	(2 066 021)	-
<b>Total debtors by customer classification</b>	<b>18 596 167</b>	<b>3 863 597</b>	<b>766 239</b>

<b>as at 30 June 2010</b>			
Current (0 – 30 days)	4 554 487	1 142 263	114 896
31 - 60 Days	940 532	629 892	102 319
61 - 90 Days	816 278	504 306	95 395
91 - 120 Days	698 679	312 679	92 718
121 - 365 Days	11 919 363	6 084 268	588 540
Sub-total	<b>18 929 339</b>	<b>8 673 408</b>	<b>993 868</b>
Less: Provision for doubtful debts	(10 451 903)	(4 789 053)	-
<b>Total debtors by customer classification</b>	<b>8 477 436</b>	<b>3 884 355</b>	<b>993 868</b>

**2    Reconciliation of the doubtful debt provision**

Balance at beginning of the year	15 240 956	12 173 464
Contributions to provision	-	3 067 492
Doubtful debts written off against provision	-	-
Reversal of provision	(3 230 810)	-
<b>Balance at end of year</b>	<b>12 010 146</b>	<b>15 240 956</b>

**3    OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Investment Interest	31 583	657 803
New Republic Bank	-	390 558
Other deposits	90 605	41 685
Other	598 045	205 615
<b>Total Other Debtors</b>	<b>720 233</b>	<b>1 295 661</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>4 INVENTORIES</b>			
<b>Opening balance of inventories:</b>		<b>2 035 953</b>	<b>1 380 192</b>
Consumable stores - at cost		2 026 480	1 350 492
Other goods held for resale – at cost		-	-
Water		9 473	29 700
<b>Additions:</b>		<b>9 843 704</b>	<b>4 828 058</b>
Consumable stores		9 843 704	4 828 058
Other goods held for resale		-	-
Water		-	-
<b>Issued (expensed):</b>		<b>(10 271 359)</b>	<b>(4 152 070)</b>
Consumable stores		(10 271 359)	(4 152 070)
Other goods held for resale		-	-
Water		-	-
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):</b>		<b>-</b>	<b>-</b>
Consumable stores		-	-
Other goods held for resale		-	-
Water		-	-
<b>Closing balance of inventories:</b>		<b>1 608 298</b>	<b>2 056 180</b>
Consumable stores		1 598 825	2 026 480
Other goods held for resale		-	-
Water		9 473	29 700
<b>5 PREPAYMENTS</b>			
Prepaid expenses		-	-
<i>There were no payments made in the current year payable only in the next year.</i>			
<b>6 INVESTMENTS</b>			
<b>Current Investments :</b>			
Deposits		2 790 831	16 150 166
Call investments		-	-
		<b>2 790 831</b>	<b>16 150 166</b>

Deposits amounting to R 2,790,831 (2010: R9,9 million) have been ring-fenced for the purposes of funding unspent Conditional Grants as set out in note 16.

The deposit amounting to R4,5 million that had been invested with ABSA Bank as security for the purchase of the municipality's dumping site had been released on 25 May 2011, on the date of the deeds transfer.

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2011

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land and Buildings	Infrastructure	Community	Other Assets	Investment Property	Intangible Assets	Total
	R	R	R	R		R	R
<b>as at 1 July 2010</b>	<b>26 551 277</b>	<b>171 143 769</b>	<b>1 811 460</b>	<b>10 198 267</b>	<b>10 251 162</b>	<b>285 991</b>	<b>220 241 926</b>
Cost/Revaluation	24 255 086	228 135 497	3 236 772	23 393 494	10 251 162	672 702	289 944 713
Capital under Construction	6 762 426	5 670 358	-	-	-	-	12 432 784
Correction of error (note 43)	-	-	-	-	-	-	-
Change in accounting policy (note 43)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(4 466 235)	(62 662 086)	(1 425 312)	(13 195 227)	-	(386 711)	(82 135 571)
<b>Additions</b>							
Acquisitions - new assets	4 000 000	805 521	-	668 819	-	251 819	5 726 159
Capital under Construction	2 183 394	4 756 771	-	-	-	-	6 940 165
Depreciation	(1 095 885)	(11 677 883)	(135 376)	(4 432 607)	-	(159 542)	(17 501 293)
<b>Carrying value of disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50 194)</b>		<b>-</b>	<b>(50 194)</b>
Cost/Revaluation	-	-	-	(457 895)	-	-	(457 895)
Accumulated depreciation and impairment losses	-	-	-	407 701	-	-	407 701
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	(5 621 712)	-	-	-	-	(5 621 712)
<b>as at 30 June 2011</b>	<b>31 638 786</b>	<b>159 406 466</b>	<b>1 676 084</b>	<b>6 384 285</b>	<b>10 251 162</b>	<b>378 268</b>	<b>209 735 051</b>
Cost/Revaluation	28 255 086	228 989 664	3 236 772	23 604 418	10 251 162	924 521	295 261 623
Capital under Construction	8 945 820	4 756 771	-	-	-	-	13 702 591
Accumulated depreciation and impairment losses	(5 562 120)	(74 339 969)	(1 560 688)	(17 220 133)	-	(546 253)	(99 229 163)

Refer to Appendix A and B for more detail on property, plant and equipment



**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**7.2 Reconciliation of Carrying Value**

	Land and Buildings	Infrastructure	Community	Other Assets	Investment Property	Intangible Assets	Total
	R	R	R	R		R	R
<b>as at 1 July 2009</b>	<b>19 337 048</b>	<b>165 944 398</b>	<b>1 576 140</b>	<b>13 043 256</b>	<b>10 133 195</b>	<b>420 439</b>	<b>210 454 476</b>
Cost/Revaluation	20 153 141	73 867 265	2 835 409	18 889 361	492 185	672 702	116 910 063
Capital under Construction	-	-	-	-	-	-	-
Correction of error (note 43)	-	-	-	-	-	-	-
Change in accounting policy (note 43)	2 854 409	142 994 658	30 716	2 495 363	9 641 010	-	158 016 156
Accumulated depreciation and impairment losses	(3 670 502)	(50 917 525)	(1 289 985)	(8 341 468)	-	(252 263)	(64 471 743)
<b>Additions</b>							
Acquisitions - new assets	1 247 536	11 273 574	370 647	2 315 223	117 967	-	15 324 947
Capital under Construction	6 762 426	5 670 358	-	-	-	-	12 432 784
Depreciation	(795 732)	(11 744 561)	(135 327)	(5 035 665)	-	(134 448)	(17 845 733)
<b>Carrying value of disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124 547)</b>	<b>-</b>	<b>-</b>	<b>(124 547)</b>
Cost/Revaluation	-	-	-	(306 453)	-	-	(306 453)
Accumulated depreciation and impairment losses	-	-	-	181 906	-	-	181 906
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
<b>as at 30 June 2010</b>	<b>26 551 278</b>	<b>171 143 769</b>	<b>1 811 460</b>	<b>10 198 267</b>	<b>10 251 162</b>	<b>285 991</b>	<b>220 241 927</b>
Cost/Revaluation	24 255 086	228 135 497	3 236 772	23 393 494	10 251 162	672 702	289 944 713
Capital under Construction	6 762 426	5 670 358	-	-	-	-	12 432 784
Accumulated depreciation and impairment losses	(4 466 234)	(62 662 086)	(1 425 312)	(13 195 227)	-	(386 711)	(82 135 570)

Refer to Appendix A and B for more detail on property, plant and equipment

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note

**2011**  
**R**

**2010**  
**R**

**7.3 Property, plant and equipment pledged as security**

None

-

-

**7.4 Details of valuation**

*The Municipality adopted the accounting policy based on GRAP 17, relating to Property, Plant and Equipment, effected from 1 July 2010, but only implemented it within the 2011 financial statements. PricewaterhouseCoopers Combined Systems (Pty) Ltd, acted independent from the Municipality to revalue the non-current assets.*

*The valuation was performed using a fair value for land and buildings and the cost model for other assets where sufficient history was available.*

**8 INTANGIBLE ASSETS**

**8.1 Reconciliation of carrying value**

**As at 1 July**

**285 991**

**420 439**

Cost

672 702

672 702

Correction of error (note 42)

-

-

Change in accounting policy (note 41)

-

-

Accumulated amortisation and impairment losses

(386 711)

(252 263)

Acquisitions

251 819

-

Amortisation

(159 542)

(134 448)

**as at 30 June**

**378 268**

**285 991**

Cost

924 521

672 702

Accumulated amortisation and impairment losses

(546 253)

(386 711)

**8.2** Intangible Assets exists only of Computer Software Licences and the right to use computerized programmes.

**9 INVESTMENT PROPERTY CARRIED AT COST**

**9.1 Reconciliation of carrying value**

**As at 1 July**

**10 251 162**

**10 133 195**

Cost

10 251 162

492 185

Correction of error (note 42)

-

-

Change in accounting policy (note 41)

-

9 641 010

Accumulated depreciation and impairment losses

-

-

Acquisitions

-

117 967

Depreciation

-

-

**as at 30 June**

**10 251 162**

**10 251 162**

Cost

10 251 162

10 251 162

Accumulated depreciation and impairment losses

-

-

**9.2** Fair value of investment property carried at cost:

*The effective date of the revaluations was 1 July 2010. Revaluations were performed by PricewaterhouseCoopers Combined Systems (Pty) Ltd, acted independent from the Municipality to revalue the non-current assets. and have expert experience in the location and categorising of the investment property being valued.*

*The valuation was based on open market value for existing use.*

**9.3** Details of property:

*All property being listed as Investment Property is land available for township establishment. The Council placed however a moratorium on township establishment due to water; electricity and waste water services that are currently already operate on overloaded capacity.*

**9.4** No rental income is currently received from Investment Property as all property is undeveloped land.

**10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

*No valuation were done as yet at fair value, as this was the first year of implementation. Valuations based on fair value will be executed each fourth year, simultaneously with the general updating of the Municipall Valuation Roll.*

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>11 NON-CURRENT ASSETS HELD FOR SALE</b>			
Property, plant and equipment		-	-
Investment property		-	-
Other assets		-	-
		<u>-</u>	<u>-</u>

*There were no assets held for sale as at 30 June 2011. The annual asset count however identified assets to the value of R 4,815,586 that could not be traced and is still included in the asset register. A detailed report is to be submitted to Council in September 2011 for approval to write off these assets.*

<b>12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		385 501	4 688 738
Payments received in advance		1 902 037	5 093 458
Retentions		1 629 758	2 424 568
Electricity connection deposits		51 664	33 741
Other creditors		625 542	674 166
<b>Total creditors</b>		<u><b>4 594 502</b></u>	<u><b>12 914 671</b></u>

*The fair value of trade and other payables approximates their carrying amounts.*

<b>13 CONSUMER DEPOSITS</b>			
Electricity and Water		2 735 132	2 607 269
<b>Total consumer deposits</b>		<u><b>2 735 132</b></u>	<u><b>2 607 269</b></u>

*No interest is paid for deposits held on behalf of consumers.*

<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u><b>121 250</b></u>	<u><b>135 250</b></u>
--	-----------------------	-----------------------

<b>14 VAT PAYABLE / RECEIVABLE</b>			
VAT payable		2 484 973	-
VAT receivable		<u>-</u>	<u>3 410 870</u>

*VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.*

<b>15 CURRENT PROVISIONS</b>			
Performance bonus		398 742	-
Provision for leave		3 539 345	3 441 232
Provision for 13th cheque payments		522 166	427 634
<b>Total Provisions</b>		<u><b>4 460 253</b></u>	<u><b>3 868 866</b></u>

*Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.*

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for 13th cheque	Provision for leave
<b>as at 1 July 2010</b>	-	427 634	3 441 232
Contributions to provision	398 742	94 532	98 113
Expenditure incurred	-	-	-
<b>as at 30 June 2011</b>	<u><b>398 742</b></u>	<u><b>522 166</b></u>	<u><b>3 539 345</b></u>
<b>as at 1 July 2009</b>	-	-	-
Contributions to provision	-	427 634	3 441 232
Expenditure incurred	-	-	-
<b>as at 30 June 2010</b>	<u><b>-</b></u>	<u><b>427 634</b></u>	<u><b>3 441 232</b></u>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
<b>Unspent Conditional Grants from other spheres of Government</b>			
Municipal Infrastructural Grant		8 643 352	6 538 114
Housing Grant		2 901 261	2 901 261
Grant from Waterberg District Council		61 112	61 112
Integrated National Electrification Programme		100 000	100 000
<b>Total Unspent Conditional Grants and Receipts</b>		<b>11 705 725</b>	<b>9 600 487</b>
<b>Non-current unspent conditional grants and receipts</b>		-	-
<b>Current portion of unspent conditional grants and receipts</b>		<b>11 705 725</b>	<b>9 600 487</b>

See Note 27 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**17 FINANCE LEASE LIABILITY**

2011	Minimum lease payment	Future finance charges	Present value of minimum lease payments
<b>Amounts payable under finance leases</b>			
Within one year	211 704	18 419	193 286
Within two to five years	70 568	1 517	69 051
	<u>282 272</u>	<u>19 936</u>	<u>262 337</u>
Less: Amount due for settlement within 12 months (current portion)			(193 285)
			<u>69 052</u>

The effective interest rate is between 12.5% and 13.5% and is repayable in 59 equal instalments of which the first was paid in September 2005. The last installment is payable during June 2011.

2010	Minimum lease payment	Future finance charges	Present value of minimum lease payments
<b>Amounts payable under finance leases</b>			
Within one year	231 166	38 030	193 136
Within two to five years	282 272	19 935	262 337
	<u>513 438</u>	<u>57 965</u>	<u>455 473</u>
Less: Amount due for settlement within 12 months (current portion)			(193 136)
			<u>262 337</u>

The effective interest rate is between 12.5% and 13.5% and is repayable in 60 and 36 equal installments of which the first was paid in September 2005. The last installment is payable during July 2011 and October 2012 respectively..

**18 NON-CURRENT PROVISIONS**

Provision for rehabilitation of landfill sites	5 123 250	4 098 600
Provision for long-service awards	1 325 109	1 228 047
<b>Total Non-Current Provisions</b>	<b>6 448 359</b>	<b>5 326 647</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It's calculation is based on the present value of the future obligation, discounted at 2,5%, over an average period of 31 years.

Long-service awards are payable to employees, with 5 years intervals, starting from 10 years continuous service. The provision is an estimate of the long-service based on historical staff turnover. **Arch Actuarial Consulting CC** was appointed by the Municipality to determine the actuarial valuations towards the long-service awards obligation.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year</b>	4 098 600	-
Contributions to provision	1 024 650	4 098 600
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<b>5 123 250</b>	<b>4 098 600</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
Provision for long-service awards:			
<b>Balance at the beginning of year</b>		1 228 047	-
Contributions to provision		97 062	1 228 047
Expenditure incurred		-	-
Increase in provision due to discounting		-	-
Transfer to current provisions		-	-
<b>Balance at the end of year</b>		<b>1 325 109</b>	<b>1 228 047</b>
<b>19 PROPERTY RATES</b>			
<b>Actual</b>			
Residential		13 106 236	6 635 923
Commercial		2 505 942	1 881 134
Agricultural		2 935 028	5 960 771
Municipal and Other		67 705	942 591
State		232 306	745 048
<b>Total</b>		<b>18 847 217</b>	<b>16 165 467</b>
<b>Valuations</b>			
Residential		1 125 408 491	1 597 670 555
Commercial		331 792 193	445 962 415
Agricultural		3 158 871 877	4 420 546 108
State		54 728 394	110 415 550
Municipal and Non Rateable Property		2 611 424 467	870 504 924
<b>Total Property Valuations</b>		<b>7 282 225 422</b>	<b>7 445 099 552</b>
<i>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll was certified on 02 July 2008 by the Municipal Manager.</i>			
<b>20 SERVICE CHARGES</b>			
Sale of electricity		31 516 991	27 856 490
Sale of water		4 851 683	4 300 649
Refuse removal		2 689 385	3 230 976
Sewerage and sanitation charges		3 040 943	3 470 430
<b>Total Service Charges</b>		<b>42 099 002</b>	<b>38 858 545</b>
<b>21 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		209 610	89 600
<b>Total rentals</b>		<b>209 610</b>	<b>89 600</b>
<b>22 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Interest earned on current accounts and investments		1 015 648	2 513 717
<b>Total interest</b>		<b>1 015 648</b>	<b>2 513 717</b>
<b>23 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Interest charged against all consumer debtors in arrears		1 748 273	993 774
<b>Total interest</b>		<b>1 748 273</b>	<b>993 774</b>
<b>24 FINES</b>			
Cash received from traffic fines		201 463	59 280
Late returns of library books		808	-
		<b>202 271</b>	<b>59 280</b>
<b>25 LICENSES AND PERMITS</b>			
Trade Licenses		5 683	3 363
Dog Licenses		23 841	24 745
		<b>29 524</b>	<b>28 108</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>26 REVENUE FROM AGENCY FEES</b>			
Fire Fighting		703 397	586 699
Vehicle Licenses		2 209 644	2 616 340
		<b>2 913 041</b>	<b>3 203 039</b>
<b>27 GOVERNMENT GRANTS AND SUBSIDIES</b>			
<b>Operating Grants</b>		<b>20 777 488</b>	<b>16 421 726</b>
Equitable share		18 370 936	14 784 029
Finance Management Grant		1 000 000	750 000
Municipal Systems Improvement Grant		750 000	739 415
Skills Education & Training Grant		-	92 702
Waterberg DC Grant -in- Aid		300 000	-
Municipal Infrastructural Grant (5% Operating Expenses)		356 552	-
Drought Relieve Grant		-	55 580
<b>Capital Grants</b>		<b>5 592 209</b>	<b>13 819 774</b>
Municipal Infrastructural Grant		5 592 209	6 952 278
Housing Grant		-	2 247 496
Integrated National Electrification programme (INEP)		-	4 620 000
<b>Total Government Grant and Subsidies</b>		<b>26 369 697</b>	<b>30 241 500</b>
<b>27.1 Equitable Share</b>			
<i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within the municipality.</i>			
<b>27.2 Municipal Infrastructural Grant</b>			
<b>Balance unspent at beginning of year</b>		6 538 113	506 392
Current year receipts		8 054 000	12 984 000
Conditions met - transferred to revenue		(5 948 761)	(6 952 279)
<b>Conditions still to be met - remain liabilities (see note 16)</b>		<b>8 643 352</b>	<b>6 538 113</b>
<i>The intention of the grant is to provide funding for infrastructural capital projects. The unspent amount is committed to capital projects still under construction.</i>			
<b>27.3 Other Government Grants and Subsidies</b>			
<b>Balance unspent at beginning of year</b>		2 962 373	5 265 449
Current year receipts		-	-
Conditions met - transferred to revenue		-	(2 303 076)
<b>Conditions still to be met - remain liabilities (see note 21)</b>		<b>2 962 373</b>	<b>2 962 373</b>
<i>The unspent amount is in relation to projects still to be commenced with.</i>			
<b>27.4 Changes in levels of government grants</b>			
<i>Based on the allocations set out in the Division of Revenue Act, (Act 6 2011), dated 28 April 2011, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</i>			
<b>28 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
<b>28.1 Other income</b>			
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 44)		-	-
<b>Total Other Income</b>		<b>-</b>	<b>-</b>
<b>28.2 Public contributions and donations</b>			
Dyna bus donated by Naboom home for the aged		-	30 000
Electricity deposit for Thusang donated by Waterberg District Municipality		-	20 603
<b>Total public contributions and donations</b>		<b>-</b>	<b>50 603</b>
<b>29 OTHER REVENUE</b>			
Connection and reconnection fees		41 144	29 601
Insurance claims and Cemetery fees		62 952	263 830
Sundry income		330 611	548 898
<b>Total rentals</b>		<b>434 707</b>	<b>842 329</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>30 EMPLOYEE RELATED COSTS</b>			
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration		733 641	591 707
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		165 154	158 240
Contributions to UIF, Medical and Pension Funds		17 739	-
<b>Total</b>		<b>916 534</b>	<b>749 947</b>
<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration		717 023	351 480
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		187 796	119 728
Contributions to UIF, Medical and Pension Funds		98 577	86 304
<b>Total</b>		<b>1 003 396</b>	<b>557 512</b>
<b>Remuneration of Individual Executive Directors</b>			
	Technical Services	Corporate Services	Community Services
<b>2011</b>			
Annual Remuneration	456 619	377 504	416 948
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	133 195	100 907	112 707
Contributions to UIF, Medical and Pension Funds	1 546	100 549	95 972
<b>Total</b>	<b>591 360</b>	<b>578 960</b>	<b>625 627</b>
<b>2010</b>			
Annual Remuneration	457 028	343 829	412 009
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	134 876	131 637	128 381
Contributions to UIF, Medical and Pension Funds	-	88 545	-
<b>Total</b>	<b>591 904</b>	<b>564 011</b>	<b>540 390</b>
<b>Remuneration of all other employees</b>			
Employee related costs - Salaries and Wages		19 191 150	16 868 269
Employee related costs - Contributions for UIF, pensions and medical aids		6 424 858	4 490 391
Travel, motor car, accommodation, subsistence and other allowances		1 241 430	1 188 702
Housing benefits and allowances		39 622	1 057 883
Overtime payments		2 792 350	2 428 414
Performance and other bonuses		-	-
Long-service awards		-	-
Other employee related costs		2 690 591	1 526 220
<b>Total Employee Related Costs</b>		<b>32 380 001</b>	<b>27 559 879</b>
<i>There were no advances to employees / Loans paid to or outstanding from employees.</i>			
<b>31 REMUNERATION OF COUNCILLORS</b>			
Mayor		582 700	485 943
Other Councillors		1 505 655	930 922
<b>Total Councillors' Remuneration</b>		<b>2 088 355</b>	<b>1 416 865</b>
<b>In-kind Benefits</b>			
<i>The Mayor and the Chief Whip are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>			
<i>The Mayor is entitled to make use of a Council owned vehicle for official duties and make use of a full-time driver as well as a full-time bodyguard at the expense of the Council.</i>			
<b>32 FINANCE COSTS</b>			
Bank overdrafts		38 030	49 442
<b>Total Finance Costs</b>		<b>38 030</b>	<b>49 442</b>
<b>33 BULK PURCHASES</b>			
Electricity		22 207 823	19 058 933
Water		61 618	32 356
<b>Total Bulk Purchases</b>		<b>22 269 441</b>	<b>19 091 289</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>34 MATERIALS</b>			
<b>Repairs and Maintenance :</b>			
Open Public Areas		13 424	55 026
Street Lights		276 643	187 747
Buildings		2 499 749	1 133 063
Land & Fencing		52 323	100 152
Streets & Pavements		364 241	21 250
Water Network		843 760	657 106
Machinery & Equipment		272 492	333 335
Sport Fields		18 800	28 327
Furniture & Office Equipment		2 053	15 106
Electricity Network		1 473 936	497 596
Radio's		22 557	37 617
Traffic Signs & Road Markings		11 853	16 931
Other Materials		2 644 821	1 169 253
		<b>8 496 652</b>	<b>4 252 509</b>
<b>35 CONTRACTED SERVICES</b>			
Rental Photocopier		244 209	63 303
Rental Landfill Site		200 000	160 000
Dumping Site Maintenance		1 576 608	-
Legal Fees		944 995	975 266
Computer Software Licenses		291 331	580 372
Telephone & Cell phone Costs		878 649	1 289 559
Security Services		1 189 379	643 303
Short Term Insurance		611 495	787 540
Valuation Costs		200 500	398 200
Sample Analysis		256 574	178 326
Website Maintenance		52 632	47 210
Rental other Equipment		409 250	314 548
		<b>6 855 622</b>	<b>5 437 627</b>
<b>36 OTHER EXPENDITURE</b>			
Collection Cost		-	470 626
Audit fees		2 171 260	1 460 133
<b>Included, as general expenses :-</b>			
Advertising and Communication		116 679	519 911
Bank charges		177 707	150 536
Capacity Building		431 488	721 033
Integrated Development Planning Review		315 002	224 577
Project Management		252 788	196 371
Conferences and delegations		687 329	615 965
Membership fees		343 379	128 604
Mayoral Community Work Programmes		796 906	858 375
Refreshments		159 966	268 876
Skills Development Levy		-	283 697
Local Economic Development Projects		54 173	83 730
Indigent Relief		2 303 644	14 349 258
Audit Committee and Internal Audit		161 185	286 134
Postage		137 863	119 465
Travel and subsistence		247 967	177 874
Vehicle Costs		3 855 219	2 293 602
Centenary Celebration		-	152 500
Utilization of conditional grants		1 533 535	1 366 998
Other		8 602 872	945 125
		<b>22 348 962</b>	<b>25 673 390</b>
<b>37 GRANTS AND SUBSIDIES PAID</b>			
Christmas food parcels		-	196 000
Naboom home for aged - grant in aid		-	235 798
Manufacturing of bricks - grant in aid		-	500 000
Wood cutting project - grant in aid		-	500 000
		<b>-</b>	<b>1 431 798</b>
<b>38 GAIN / (LOSS) ON SALE OF ASSETS</b>			
Property, plant and equipment		-	(71 113)
Other financial assets		134 806	-
<b>Total Gain / (Loss) on Sale of Assets</b>		<b>134 806</b>	<b>(71 113)</b>



**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>39 CASH GENERATED BY OPERATIONS</b>			
Surplus/(deficit) for the year		(21 690 437)	(15 854 939)
Adjustment for:-			
Depreciation and amortisation		17 501 293	17 845 733
(Gain) / loss on sale of assets		(134 806)	71 113
Contribution to provisions - non-current		2 434 821	5 326 647
Contribution to provisions - current		591 387	3 564 840
Finance costs		38 030	49 442
Prior year adjustments		5 939 037	-
Transferred Assets		(5 621 712)	-
Interest earned		(302 677)	(3 507 491)
<b>Operating surplus before working capital changes:</b>		<b>(1 245 064)</b>	<b>7 495 345</b>
(Increase)/decrease in inventories		447 882	(705 688)
(Increase)/decrease in trade receivables		(9 870 344)	(13 870 344)
(Increase)/decrease in other receivables		575 428	3 085 529
(Increase)/decrease in VAT receivable		3 410 870	(1 497 647)
Increase/(decrease) in unspent conditional grants and receipts		2 105 238	9 600 487
Increase/(decrease) in trade payables		(8 320 169)	5 714 079
Increase/(decrease) in consumer deposits		127 863	132 779
Increase/(decrease) in VAT payable		2 484 973	-
<b>Cash generated by/(utilised in) operations</b>		<b>(10 283 323)</b>	<b>9 954 540</b>
<b>40 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise of the following:			
Bank balances and cash		-	3 064 370
Bank overdrafts		(6 904 078)	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>		<b>(6 904 078)</b>	<b>3 064 370</b>
<b>41 CHANGE IN ACCOUNTING POLICY</b>			
<i>The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:</i>			
<b>41.1 Property, plant and equipment</b>			
Balance previously reported			116 910 061
Implementation of GRAP 17		-	-
Infrastructure previously not recorded and credited to Accumulated Surplus/(Deficit)		-	158 016 156
<b>Total adjusted Carrying Value of PPE at the end of the year</b>		<b>-</b>	<b>274 926 217</b>
<b>41.2 Accumulated Depreciation</b>			
Balance previously reported -			(30 773 398)
Debited to Accumulated Surplus/(Deficit) for the implementation of GRAP 17 :		-	(33 698 346)
Backlog depreciation: Land and buildings		-	(3 212 302)
Backlog depreciation: Infrastructure		-	(35 716 401)
Backlog depreciation: Community		-	(160 560)
Backlog depreciation: Other		-	5 390 917
<b>Total adjusted Accumulated Depreciation at the end of the year</b>		<b>-</b>	<b>(64 471 744)</b>
<b>Nett adjustment made for Property, Plant and Equipment</b>		<b>-</b>	<b>124 317 810</b>
<b>42 CORRECTION OF ERROR</b>			
<b>During the year ended 30 June 2010 :</b>			
the provision for bad debts was overstated with R 4,000,000.00;			
agency fees collected on behalf of the Dept. of Transport were overstated by R 3,745,311.00;			
a provision to the amount of R 406,000.00 was made for paying performance bonuses to senior managers. As no performance agreements were in place this provision was not valid.			
Depreciation for 2010 was adjusted to R 17,845,733.00			
Other amounts within the Statement of Performance were incorrectly recorded.			

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
no provision has been made in 2010 towards : - 13th cheque binusses for employees - post retirement health care benefits - long service awards - rehabilitation of the landfill site Retension money withheld were not included in the carrying value of assets acquired in 2009 Water Inventory were not measured and disclosed in 2010 Retentions withheld from service providers were incorrectly stated		
<b>The comparative amounts affected the surplus/(deficit) for the year, has been restated as follows:</b>		
Surplus / (Deficit) for the year previously reported -		(8 199 444)
<b>Net effect on surplus/(deficit) for the year</b>	-	<b>(7 655 495)</b>
Service charges decreased with	-	(523 277)
Interest earned - external investments increased with	-	186 817
Interest earned - outstanding receivables decreased with	-	(186 818)
Fines increased with	-	1 104
Licenses and Permits increased with	-	28 108
Income from agency services increased with	-	(3 745 311)
Government grants and subsidies : Operating decreased with	-	(586 899)
Government grants and subsidies : Capital increased with	-	309 286
Other revenue decreased with	-	(547 947)
Employee related costs decreased with	-	350 358
Remuneration of councillors decreased with	-	361 773
Debt impairment decreased with	-	4 000 000
Depreciation and asset impairment increased with	-	(11 102 300)
Materials increased with	-	(1 199 210)
Contracted services increased with	-	(5 437 627)
Other Expenditure decreased with	-	11 868 246
Grants and subsidies paid decreased with	-	(1 431 798)
<b>Restated Surplus / (Deficit) for the year</b>	-	<b>(15 854 939)</b>
<b>The comparative amounts affected the Accumulated surplus/(deficit) as at 30 June 2010, has been restated as follows:</b>		
Provisions to 13th cheque bonuses increased with	-	(427 634)
Provisions towards post retirement benefits increased with	-	(6 924 971)
Provisions towards long service awards increased with	-	(1 228 047)
Provisions towards the rehabilitation of the landfill site increased with	-	(4 098 600)
Adjustment to assets aquired increased with	-	868 764
Inventory for water increased with	-	29 700
Retentions withheld increased with	-	(148 054)
<b>Net effect on the Accumulated surplus / (deficit) opening balance</b>	-	<b>(11 928 842)</b>

**43 CHANGE IN ESTIMATE**

*The carying value of the Mookgophong Municipality's PP&E was estimated in 2010 to be R86,136,663.23. Due to the GRAP conversion a prior year adjustment on cost of R158,016,156.38 was made. This includes assets not previously captured on the fixed asset register. The effect of the conversion has increased the depreciation charge for the current and future periods by R10,757,857.79.*

**44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**44.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure current year	382 554	-
Approved by Council or condoned	(382 554)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Amount	Disciplinary steps
Purchase of BMW Sedan	R 382 554.00	Approved by Council

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note

**2011**  
**R**

**2010**  
**R**

**44.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -	155 690	-
Fruitless and wasteful expenditure current year	865 520	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 49)	-	155 690
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>1 021 210</b>	<b>155 690</b>

Incident	Amount	Disciplinary steps
SARS Interest and penalties	R 35 418.67	Official transferred
Landfill site	R 112 000.00	None
Interest charged on late payments	R 8 271.00	None
Temporary workers	R 103 187.77	Commenced with hearing
Labour Case	R 278 331.56	Commenced with hearing
Incorrect 20010 AFS submitted by service provider	R 484 000.00	None

**44.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	-	-
Irregular expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
<b>Irregular expenditure awaiting condonement</b>	<b>-</b>	<b>-</b>

Incident	Amount	Disciplinary steps
No irregular expenses occurred in the 2011 financial year		

**45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**45.1 Contributions to organised local government**

Opening balance	-	-
Council subscriptions	206 921	129 870
Amount paid - current	(206 921)	(129 870)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**45.2 Audit fees**

Opening balance	-	11 664
Current year audit fee	2 171 260	1 448 470
Amount paid - current year	(2 171 260)	(1 460 134)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

*No audit fees were outstanding as at 30 June 2010*

**45.3 VAT**

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

**45.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	3 582 585	3 146 607
Amount paid - current year	(3 582 585)	(3 146 607)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

*There were no payments outstanding as at 30 June*

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
<b>45.5 Pension and Medical Aid Deductions</b>		
Opening balance		
Current year payroll deductions and Council Contributions	7 143 085	4 482 219
Amount paid - current year	(7 143 085)	(4 482 219)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>

*There were no payments outstanding as at 30 June*

**45.6 Councillor's arrear consumer accounts**

There were no elected councillor present and prior that were at any time in arrear with any consumer account in their name.

**45.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality only established a Supply Chain Management Unit with effect from 1 February 2012.

**46 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure**

**- Approved and contracted for**

	-	<b>7 987 738</b>
Infrastructure	-	643 794
Community	-	7 343 944
Heritage	-	-
Other	-	-

**- Approved but not yet contracted for**

	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-

<b>Total</b>	<u>-</u>	<u><b>7 987 738</b></u>
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This expenditure will be financed from:

- External Loans		-
- Government Grants	-	643 794
- Own resources	-	7 343 944
- District Council Grants	-	-
	<u>-</u>	<u><b>7 987 738</b></u>

As at 30 June 2011 there were no commitments for capital work, although the Municipality was engaged into the following uncompleted projects :

**Extention of the Mookgophong municipal offices** : KBI Contractors had been appointed with sub contractors to complete the project. KBI is only receiving a 5% administration fee with the submission of completion certificates. As at 30 June 2011 there were no contractor on site. The municipality is currently engaged to re-appoint a sub contractor to re-convene the completion of the project.

**Upgrading of the Welgevonden Water Purification Works** : Moloko Business Enterprise was appointed as the service provider. The project came to a standstill in March 2011. Eversince no work had been executed nor payments made towards this project. Re-appointment is likely to be done only in the new financial year.

**Bulk Stormwater Phase 3** : A consulting engineer had been appointed to commence with the planning phase of the project, but no tender had been issued for the appointment of the service provider as yet.

**47 RETIREMENT BENEFIT INFORMATION**

**47.1 Defined contribution plan**

The municipality contributes towards the following defined contribution pension plans:

- Samwu Provident Fund
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipals Councillors Pension Fund
- Government Employee Pension Fund
- SALA Pension Fund
- National Fund for Municipal Workers – 2% Fund
- Imatu Pension Fund

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
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The annual contributions towards the above pension funds have been expensed and included in employee related costs for the year. Refer to note 30 above.

#### 47.2 Defined benefit plan

The Municipality offers employees and continued members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. In-service members who joined the Municipality on or before 1 December 2005 will receive a post-employment subsidy of 60% of the contribution payable. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death of an in-service employee.

**Arch Actuarial Consulting CC** was appointed by the Municipality to determine the actuarial valuations towards the post employment health care benefits.

The municipality contributes towards the following defined benefit plans :

- KeyHealth
- Bonitas
- LA Health
- Hosmed
- SAMWUMed

The annual contributions towards the above medical funds including for post-retirement benefits, have been expensed and are included in employee related costs for the year, however the long term obligation for continuous members are provided as follows :

Provision for post employment health care benefits	8 238 080	6 924 971
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#### 48 CONTINGENT LIABILITY

##### 48.1 Misconduct : KN Mathivha

The hearing of the case is scheduled to be on 28 and 29 September 2010. The expected legal cost is :

	-	280 000
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##### 48.2 Misconduct / MM089 : RM Mathabatha

The initial ruling was in favour of the employee. The municipality appealed. The employee is suspended from duty from 15/4/2009 to 15/08/2009 with full salary. The expected legal cost is :

	-	12 500
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##### 48.3 Application for development : Euphoria Golf Estate

The municipality is unable to provide bulk services and as a result placed a moratorium on further land development. The hearing is scheduled to be held on 29 August 2010 and is awaiting tribunal award. The legal cost is expected to be:

	-	130 000
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##### 48.4 Misconduct / LPD : JA Schutte

The concerned employee appealed against unfair dismissal. The hearing is scheduled to take place on 25/10/2010. The legal cost is expected to be :

	-	52 000
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##### 48.5 Mookgophong Municipality vs Jamela

The outcome of hearing is still awaited from the Limpopo Development tribunal. The expected legal cost is :

	-	18 500
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##### 48.6 Fraud and Corruption Investigation and legal cases as a consequence thereof

The Verveen report uncovered fraud and corruption within the Municipality that could lead to several legal actions that might cause the Municipality in legal costs :

	200 000	-
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##### 48.7 Truck Stop vs Mookgophong Municipality legal action

The owners of the Truck Stop is in debt with the Municipality and are refusing to pay. The Municipality are currently taking legal action the the High Court to resolve the case. Legal cost could amount to :

	250 000	-
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##### 48.8 David Shirelelo Chauke vs Mookgophong Municipality

Judgement were taken against the Municipality in a claim for damages and loss of income as the case were not defended. The Municipality applied for the rescission of judgement. The legal cost as well as the claim could amount to :

	300 000	-
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**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	Note	2011 R	2010 R
<b>48.9</b>			
<b>Claim of unfair labour practice, RM Rampedi vs Mookgophong Municipality.</b>			
The plaintiff referred a practice of unfair labour practice to the South African Bargaining Council. A claim was awarded in July 2011 in favour of the plaintiff to the amount of :			
		34 503	-
<b>49</b>			
<b>CONTINGENT ASSET</b>			
It is not certain if any fruitless and wasteful expenses will be recovered as no hearing or investigation did take place to test the certainty of recovery.			
<b>50</b>			
<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
In-kind donations and assistance from the Waterberg District Municipality			
		300 000	-
<b>Description</b>			
Monetary assistance to appoint a service provider to upgrade the asset register			
<b>51</b>			
<b>RELATED PARTIES</b>			
There were no related parties relationships linked to the municipality that substantially could influence the outcome of any financial transaction.			
<b>52</b>			
<b>EVENTS AFTER THE REPORTING DATE</b>			
The Waterberg District Municipality approved at their council meeting held on 12 July 2010 that their property within the jurisdiction of the Mookgophong Municipality be transferred to the local municipality. The District Municipality appointed Verveen Attorneys to finalise the transfers. In terms of the Municipal Structures amendment Act 2008, Act 33 of 2008 section 14(4)(a) & (b) no duty fee or other charge is payable for the transfer of these 41 properties. The total estimated value of these properties are :			
		-	-
<i>There were no events after reporting date (30 June 2011), known to management that can lead to significant changes in the statement of financial position in future.</i>			
<b>53</b>			
<b>KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>			
The following areas involve a significant degree of estimation uncertainty:			
<ul style="list-style-type: none"> <li>- Useful lives and residual values of property, plant, and equipment</li> <li>- Recoverable amounts of property, plant and equipment</li> <li>- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)</li> <li>- Present value of defined benefit obligation</li> <li>- Fair value of plan assets</li> <li>- Provision for doubtful debts</li> <li>- Impairment of assets</li> <li>- Provision for long-term service award</li> </ul>			
The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:			
<ul style="list-style-type: none"> <li>- Impairment of assets</li> <li>- Provisions</li> </ul>			
<b>54</b>			
<b>RISK MANAGEMENT</b>			
<b>54.1</b>			
<b>Credit risk exposure</b>			
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.			
Trade receivables comprise of a widespread consumer and tax-payer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers are independently rated, based on their average consumption per month. The credit quality of the consumer or tax-payer is also assessed, taking into account its financial position, past experience and other factors (when available).			
Risk limits are annually reviewed by the council in a form of deposits payable or bank guarantees, before opening a municipal account. Once a consumer is in default, the amount of deposit payable is adjusted to the average of three months consumption. Assessment rates are collectable in terms of the Municipal Property Rates Act 2004, Act 6 of 2004. Municipal accounts in arrear are subject to the charge of interest equals a percentage of the capital amount in arrear as determined by council.			

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

Note	2011 R	2010 R
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Municipal accounts are mainly settled in cash received at the different paypoints or direct banking methods. Credit risk is further limited to a regular updating of the Indigent consumer database. These category of consumers are benefiting from zero to low charges of consumption and assessment rates rebates and are financed through the Equitable Share subsidy received from National Government.

**54.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**54.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**55 RESTATEMENT OF COMPARATIVE INFORMATION**

The set of financial statements that had been presented for audit purposes as at 30 June 2010 differed from the closing balances as presented on the trial balance as on the same date.

The opening balances as indicated on this set of financial statements corrected this error by indicating the correct movement and balances in the "2010" column on all the relevant pages. Other errors identified by the Auditor-General in the 2010 Audit Report had also been corrected as indicated in note 42 above.

**56 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D

**MOOKGOPHONG LOCAL MUNICIPALITY**

**APPENDIX A  
SCHEDULE OF EXTERNAL LOANS**

as at 30 June 2011

		Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Redeemed / written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
<b>EXTERNAL LOANS</b>				R	R	R	R	R	R
<b>LONG-TERM LOANS</b>									
Stock Loan @ x% 2									
Stock Loan @ x% 3									
Stock Loan @ x% 4									
Stock Loan @ x% 5									
Stock Loan @ x% 6									
Stock Loan @ x% 7									
Stock Loan @ x% 8									
<b>Total long-term loans</b>									
<b>ANNUITY LOAN</b>									
Sanlam @ x%									
<b>GOVERNMENT LOANS</b>									
- Other @ x%									
<b>Total Government Loans</b>									
<b>TOTAL EXTERNAL LOANS</b>									



**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
Developed Land	5 999 409	-	-	-	5 999 409	-	-	-	-	-	-	-	5 999 409
Dwellings	1 583 274	-	-	-	1 583 274	(740 210)	(63 334)	-	-	(803 544)	-	-	779 730
Landfill Sites	-	4 000 000	-	-	4 000 000	-	(299 571)	-	-	(299 571)	-	-	3 700 429
Non Residential Structures	16 672 404	-	-	8 945 819	25 618 223	(3 726 025)	(732 980)	-	-	(4 459 005)	-	-	21 159 218
	<b>24 255 087</b>	<b>4 000 000</b>	<b>-</b>	<b>8 945 819</b>	<b>37 200 906</b>	<b>(4 466 235)</b>	<b>(1 095 885)</b>	<b>-</b>	<b>-</b>	<b>(5 562 120)</b>	<b>-</b>	<b>-</b>	<b>31 638 786</b>
<b>Infrastructure</b>													
Electricity	27 225 725	568 679	-	-	27 794 404	(11 592 637)	(1 409 527)	-	-	(13 002 164)	(5 621 712)	5 670 359	14 840 887
Roads	132 877 828	236 842	-	2 693 045	135 807 715	(24 223 704)	(5 867 704)	-	-	(30 091 408)	-	-	105 716 307
Water	31 408 919	-	-	2 063 726	33 472 645	(11 639 511)	(1 748 897)	-	-	(13 388 408)	-	-	20 084 237
Sewerage	36 020 158	-	-	-	36 020 158	(15 205 789)	(2 651 532)	-	-	(17 857 321)	-	-	18 162 837
Solid Wate Disposal	602 867	-	-	-	602 867	(446)	(223)	-	-	(669)	-	-	602 198
	<b>228 135 497</b>	<b>805 521</b>	<b>-</b>	<b>4 756 771</b>	<b>233 697 789</b>	<b>(62 662 087)</b>	<b>(11 677 883)</b>	<b>-</b>	<b>-</b>	<b>(74 339 970)</b>	<b>(5 621 712)</b>	<b>5 670 359</b>	<b>159 406 466</b>
<b>Community Assets</b>													
Cemeteries	99 568	-	-	-	99 568	(47 341)	(9 933)	-	-	(57 274)	-	-	42 294
Clinics	158 868	-	-	-	158 868	(93 392)	(6 349)	-	-	(99 741)	-	-	59 127
Community Centres	731 823	-	-	-	731 823	(302 241)	(29 267)	-	-	(331 508)	-	-	400 315
Libraries	549 475	-	-	-	549 475	(220 411)	(21 942)	-	-	(242 353)	-	-	307 122
Stadiums	631 353	-	-	-	631 353	(261 994)	(25 255)	-	-	(287 249)	-	-	344 104
Sport Facilities	1 011 062	-	-	-	1 011 062	(467 161)	(40 445)	-	-	(507 606)	-	-	503 456
Markets	54 622	-	-	-	54 622	(32 771)	(2 185)	-	-	(34 956)	-	-	19 666
	<b>3 236 771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 236 771</b>	<b>(1 425 311)</b>	<b>(135 376)</b>	<b>-</b>	<b>-</b>	<b>(1 560 687)</b>	<b>-</b>	<b>-</b>	<b>1 676 084</b>
<b>Intangible Assets</b>													
Computer Software	672 702	251 819	-	-	924 521	(386 711)	(159 542)	-	-	(546 253)	-	-	378 268
	<b>672 702</b>	<b>251 819</b>	<b>-</b>	<b>-</b>	<b>924 521</b>	<b>(386 711)</b>	<b>(159 542)</b>	<b>-</b>	<b>-</b>	<b>(546 253)</b>	<b>-</b>	<b>-</b>	<b>378 268</b>
<b>Other Assets</b>													
Machinery and Equipment	6 128 573	24 939	-	-	6 153 512	(3 343 380)	(1 037 479)	-	-	(4 380 859)	-	-	1 772 653
Furniture & Office Equipment	5 420 231	800	-	-	5 421 031	(3 026 750)	(1 061 191)	-	-	(4 087 941)	-	-	1 333 090
Computer Equipment	2 649 705	75 526	-	-	2 725 231	(1 868 087)	(406 667)	-	-	(2 274 754)	-	-	450 477
Transport Assets	9 194 985	567 554	(457 895)	-	9 304 644	(4 957 010)	(1 927 270)	407 701	-	(6 476 579)	-	-	2 828 065
	<b>23 393 494</b>	<b>668 819</b>	<b>(457 895)</b>	<b>-</b>	<b>23 604 418</b>	<b>(13 195 227)</b>	<b>(4 432 607)</b>	<b>407 701</b>	<b>-</b>	<b>(17 220 133)</b>	<b>-</b>	<b>-</b>	<b>6 384 285</b>
<b>Investment Assets</b>													
Undeveloped Land	10 251 162	-	-	-	10 251 162	-	-	-	-	-	-	-	10 251 162
	<b>10 251 162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 251 162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 251 162</b>
<b>Total</b>	<b>289 944 713</b>	<b>5 726 159</b>	<b>(457 895)</b>	<b>13 702 590</b>	<b>308 915 567</b>	<b>(82 135 571)</b>	<b>(17 501 293)</b>	<b>407 701</b>	<b>-</b>	<b>(99 229 163)</b>	<b>(5 621 712)</b>	<b>5 670 359</b>	<b>209 735 051</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
Developed Land	5 999 409	-	-		5 999 409				-	-	-	-	5 999 409
Dwellings	1 583 274	-	-	-	1 583 274	(676 922)	(63 288)	-	-	(740 210)	-	-	843 064
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Residential Structures	15 424 868	1 247 536	-	6 762 426	23 434 830	(2 993 581)	(732 444)	-	-	(3 726 025)	-	-	19 708 805
	<b>23 007 551</b>	<b>1 247 536</b>	<b>-</b>	<b>6 762 426</b>	<b>31 017 513</b>	<b>(3 670 503)</b>	<b>(795 732)</b>	<b>-</b>	<b>-</b>	<b>(4 466 235)</b>	<b>-</b>	<b>-</b>	<b>26 551 278</b>
<b>Infrastructure</b>													
Electricity	24 956 482	2 269 243	-	5 670 359	32 896 084	(10 209 490)	(1 383 147)	-	-	(11 592 637)	-	-	21 303 447
Roads	127 182 105	5 695 723	-	-	132 877 828	(18 259 636)	(5 964 068)	-	-	(24 223 704)	-	-	108 654 124
Water	28 737 535	2 671 384	-	-	31 408 919	(9 891 916)	(1 747 595)	-	-	(11 639 511)	-	-	19 769 408
Sewerage	35 382 934	637 224	-	-	36 020 158	(12 556 260)	(2 649 529)	-	-	(15 205 789)	-	-	20 814 369
Solid Waste Disposal	602 867	-	-	-	602 867	(223)	(223)	-	-	(446)	-	-	602 421
	<b>216 861 923</b>	<b>11 273 574</b>	<b>-</b>	<b>5 670 359</b>	<b>233 805 856</b>	<b>(50 917 525)</b>	<b>(11 744 562)</b>	<b>-</b>	<b>-</b>	<b>(62 662 087)</b>	<b>-</b>	<b>-</b>	<b>171 143 769</b>
<b>Community Assets</b>													
Cemeteries	99 568	-	-	-	99 568	(37 416)	(9 925)	-	-	(47 341)	-	-	52 227
Clinics	158 868	-	-	-	158 868	(87 042)	(6 350)	-	-	(93 392)	-	-	65 476
Community Centres	731 823	-	-	-	731 823	(272 988)	(29 253)	-	-	(302 241)	-	-	429 582
Libraries	358 130	191 345	-	-	549 475	(198 447)	(21 964)	-	-	(220 411)	-	-	329 064
Stadiums	631 353	-	-	-	631 353	(236 757)	(25 237)	-	-	(261 994)	-	-	369 359
Sport Facilities	831 760	179 302	-	-	1 011 062	-	(426 746)	(40 415)	-	(467 161)	-	-	543 901
Markets	54 622	-	-	-	54 622	(30 588)	(2 183)	-	-	(32 771)	-	-	21 851
	<b>2 866 124</b>	<b>370 647</b>	<b>-</b>	<b>-</b>	<b>3 236 771</b>	<b>(863 238)</b>	<b>(521 658)</b>	<b>(40 415)</b>	<b>-</b>	<b>(1 425 311)</b>	<b>-</b>	<b>-</b>	<b>1 811 460</b>
<b>Intangible Assets</b>													
Computer Software	672 702	-	-	-	672 702	(252 263)	(134 448)	-	-	(386 711)	-	-	285 991
	<b>672 702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672 702</b>	<b>(252 263)</b>	<b>(134 448)</b>	<b>-</b>	<b>-</b>	<b>(386 711)</b>	<b>-</b>	<b>-</b>	<b>285 991</b>
<b>Other Assets</b>													
Machinery and Equipment	5 940 553	188 020	-	-	6 128 573	(2 213 763)	(1 129 617)	-	-	(3 343 380)	-	-	2 785 193
Furniture & Office Equipment	4 549 488	870 743	-	-	5 420 231	(1 943 446)	(1 083 304)	-	-	(3 026 750)	-	-	2 393 481
Computer Equipment	2 056 139	593 566	-	-	2 649 705	(985 457)	(882 630)	-	-	(1 868 087)	-	-	781 618
Transport Assets	8 838 543	662 895	(306 453)	-	9 194 985	(3 198 803)	(1 940 114)	181 907	-	(4 957 010)	-	-	4 237 975
	<b>21 384 723</b>	<b>2 315 224</b>	<b>(306 453)</b>	<b>-</b>	<b>23 393 494</b>	<b>(8 341 469)</b>	<b>(5 035 665)</b>	<b>181 907</b>	<b>-</b>	<b>(13 195 227)</b>	<b>-</b>	<b>-</b>	<b>10 198 267</b>
<b>Investment Assets</b>													
Undeveloped Land	10 133 195	117 967	-	-	10 251 162	-	-	-	-	-	-	-	10 251 162
	10 133 195	117 967	-	-	10 251 162	-	-	-	-	-	-	-	10 251 162
<b>Total</b>	<b>274 926 218</b>	<b>15 324 948</b>	<b>(306 453)</b>	<b>12 432 785</b>	<b>302 377 498</b>	<b>(64 044 998)</b>	<b>(18 232 065)</b>	<b>141 492</b>	<b>-</b>	<b>(82 135 571)</b>	<b>-</b>	<b>-</b>	<b>220 241 927</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation						Accumulated Depreciation				Carrying value
	Opening	WIP	Additions	Under	Disposals	Closing	Opening	Additions	Disposals	Closing	
	Balance	Released		Construction		Balance	Balance			Balance	
	R		R	R	R	R	R	R	R	R	R
Executive & Council	27 806 777	-	4 840 350	-	(457 895)	32 189 232	6 163 963	1 973 059	(407 701)	7 729 321	24 459 911
Finance & Admin	5 035 454	-	40 463	-	-	5 075 917	2 986 460	911 200	-	3 897 660	1 178 257
Planning & Development	27 170 029	-	-	8 945 819	-	36 115 848	7 464 847	2 068 416	-	9 533 263	26 582 585
Community & Social Services	4 647 170	-	16 350	-	-	4 663 520	1 880 138	399 987	-	2 280 125	2 383 395
Public Safety	1 587 806	-	3 864	-	-	1 591 670	848 125	270 057	-	1 118 182	473 488
Sport & Recreation	4 409 018	-	-	-	-	4 409 018	1 845 168	221 831	-	2 066 999	2 342 019
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Road Transport	122 792 983	-	236 842	2 693 045	-	125 722 870	21 476 567	5 410 710	-	26 887 277	98 835 593
Water	25 464 157	-	-	2 063 727	-	27 527 884	9 366 191	1 562 687	-	10 928 878	16 599 006
Electricity	29 246 940	5 670 359	574 129	-	(5 621 712)	29 869 716	12 648 253	1 795 007	-	14 443 260	15 426 456
Waste Water Management	41 784 378	-	-	-	-	41 784 378	17 455 857	2 888 338	-	20 344 195	21 440 183
<b>Total</b>	<b>289 944 712</b>	<b>5 670 359</b>	<b>5 711 998</b>	<b>13 702 591</b>	<b>(6 079 607)</b>	<b>308 950 053</b>	<b>82 135 569</b>	<b>17 501 292</b>	<b>(407 701)</b>	<b>99 229 160</b>	<b>209 720 893</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2011

<b>2010</b>	<b>2010</b>	<b>2010</b>
<b>Actual</b>		<b>Actual</b>
<b>Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>
16 499 091	15 467 820	1 031 271
15 808 997	33 891 059	(18 082 062)
-	-	-
159 283	1 086 448	(927 165)
646 565	2 210 638	(1 564 073)
219	2 226 366	(2 226 147)
3 237 320	5 314 505	(2 077 185)
15 900 317	13 049 861	2 850 456
4 509 067	6 376 164	(1 867 097)
32 813 525	24 476 539	8 336 986
3 471 578	5 207 501	(1 735 923)
<b>93 045 962</b>	<b>109 306 901</b>	<b>(16 260 939)</b>

Executive & Council  
Finance & Admin  
Planning & Development  
Community & Social Services  
Public Safety  
Sport & Recreation  
Waste Management  
Road Transport  
Water  
Electricity  
Waste Water Management

**Total**

<b>2011</b>	<b>2011</b>	<b>2011</b>
<b>Actual</b>		<b>Actual</b>
<b>Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>
11 393 721	152 252	11 241 469
18 173 471	23 051 380	(4 877 909)
1 199 448	25 069 697	(23 870 249)
3 407 373	213 931	3 193 442
3 997 514	3 231 114	766 400
1 991 569	265	1 991 304
5 823 467	2 708 479	3 114 988
24 824 465	50 934	24 773 531
5 983 707	4 931 531	1 052 176
35 434 042	31 553 270	3 880 772
3 465 456	3 040 943	424 513
<b>115 694 233</b>	<b>94 003 796</b>	<b>21 690 437</b>

**MOOKGOPHONG LOCAL MUNICIPALITY**  
**APPENDIX D**  
**STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION**  
as at 30 June 2011

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Performance	Unauthorised Expenditure	Variance	Actual Performance As % Of Final Budget	Actual Performance As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
<b>Financial Performance</b>									
Property Rates	11 617 000	8 336 811	-	19 953 811	18 847 217	-	(1 106 594)	94%	162%
Service Charges	45 917 180	(1 566 540)	-	44 350 640	42 099 002	-	(2 251 638)	95%	92%
Rental of Facilities	84 590	(7 290)	-	77 300	209 610	-	132 310	271%	248%
Investment Revenue	4 053 300	(3 011 300)	-	1 042 000	1 015 648	-	(26 352)	97%	25%
Interest Earned on Outstanding Receivables	1 200 000	300 000	-	1 500 000	1 748 273	-	248 273	117%	146%
Fines, Licences and Permits	131 100	49 600	-	180 700	231 795	-	51 095	128%	177%
Agency Services	3 179 307	(22 278)	-	3 157 029	2 913 041	-	(243 988)	92%	92%
Transfers Recognised - Operational	20 828 700	(85 000)	-	20 743 700	20 777 488	-	33 788	100%	100%
Other Own Revenue	1 727 675	(555 825)	-	1 171 850	434 707	-	(737 143)	37%	25%
Gain on the disposal of an asset	-	-	-	-	134 806	-	134 806	0%	0%
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>88 738 852</b>	<b>3 438 178</b>	<b>-</b>	<b>92 177 030</b>	<b>88 411 587</b>	<b>-</b>	<b>(3 765 443)</b>	<b>96%</b>	<b>100%</b>
Employee Costs	31 817 494	1 837 954	-	33 655 448	36 095 878	103 188	2 440 430	107%	113%
Remuneration Of Councillors	2 138 840	-	-	2 138 840	2 088 355	-	(50 485)	98%	98%
Debt Impairment	-	-	-	-	-	-	-	0%	0%
Depreciation & Asset Impairment	4 759 000	-	-	4 759 000	17 501 293	-	12 742 293	368%	368%
Bulk Purchases	23 617 351	-	-	23 617 351	22 269 441	-	(1 347 910)	94%	94%
Other Materials	5 065 317	4 254 630	-	9 319 947	8 496 652	-	(823 295)	91%	168%
Contracted Services	4 504 520	1 419 824	-	5 924 344	6 855 622	278 332	931 278	116%	152%
Other Expenditures	16 836 330	(4 074 230)	-	12 762 100	22 386 992	484 000	9 624 892	175%	133%
<b>Total Expenditure</b>	<b>88 738 852</b>	<b>3 438 178</b>	<b>-</b>	<b>92 177 030</b>	<b>115 694 233</b>	<b>865 520</b>	<b>23 517 203</b>	<b>126%</b>	<b>130%</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27 282 646)</b>	<b>(865 520)</b>	<b>(27 282 646)</b>	<b>-0</b>	<b>-0</b>
Transfers Recognised - Capital	15 172 000	(9 030 056)	-	6 141 944	5 592 209	-	(549 735)	91%	37%
Contributions Recognised - Capital & Contributed Assets	-	-	-	-	-	-	-	0%	0%
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>15 172 000</b>	<b>(9 030 056)</b>	<b>-</b>	<b>6 141 944</b>	<b>(21 690 437)</b>	<b>(865 520)</b>	<b>(27 832 381)</b>	<b>-353%</b>	<b>-143%</b>
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) For The Year</b>	<b>15 172 000</b>	<b>(9 030 056)</b>	<b>-</b>	<b>6 141 944</b>	<b>(21 690 437)</b>	<b>(865 520)</b>	<b>(27 832 381)</b>	<b>-353%</b>	<b>-143%</b>
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital	15 172 000	(9 030 056)	-	6 141 944	5 592 209	-	(549 735)	91%	37%
Public Contributions & Donations	-	-	-	-	-	-	-	0%	0%
Borrowing	-	-	-	-	-	-	-	0%	0%
Internally Generated Funds	10 691 000	300	-	10 691 300	7 074 114	-	(3 617 186)	66%	66%
<b>Total Sources Of Capital Funds</b>	<b>25 863 000</b>	<b>(9 029 756)</b>	<b>-</b>	<b>16 833 244</b>	<b>12 666 323</b>	<b>-</b>	<b>(4 166 921)</b>	<b>75%</b>	<b>49%</b>